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**USTR Zoellick Commends Japan for Deregulation Zones**  
*Annual U.S.-Japan Regulatory Reform Report Released*

WASHINGTON - U.S. Trade Representative Robert B. Zoellick today commended the creation of more than 100 deregulation zones and other important regulatory reform steps that Japan is taking to spur its economy and further open its markets to U.S. companies. These steps are included in the "Second Report to the Leaders" under the U.S.-Japan Regulatory Reform and Competition Policy Initiative (Regulatory Reform Initiative). The joint report was released at the conclusion of the summit between President Bush and Prime Minister Koizumi at Crawford, Texas on May 22-23.

"Significant structural and regulatory reform is essential for Japan's return to long-term growth," Zoellick said. "The reforms included in this report in key areas such as telecommunications, information technology, and energy will boost productivity in Japan, and help to create jobs, improve competitiveness, and bolster the economy."

"We particularly welcome Prime Minister Koizumi's new initiative establishing deregulation zones throughout the country where businesses are unencumbered by burdensome regulations," Zoellick said. "While in Tokyo earlier this year, I had several good discussions with my Japanese counterparts on the deregulation zones. These are supposed to empower local governments to take the lead on deregulation, which could then be applied nationally."

Last month, Japan's Prime Minister approved the first 57 deregulation zones under this new initiative. Some of the first zones could be of significant commercial interest to U.S. business, such as the zones established at seven of Japan's major air and sea ports where overtime charges associated with customs processing have been cut in half. An additional 60 zones were approved today in Tokyo.

In addition to the deregulation zones, other measures specified in the 55-page report will yield many, concrete benefits for Japan's consumers as well and U.S. firms operating in the Japanese market. Examples of measures Japan has taken or will take include:

- Introducing competition in an increasingly important segment of the telecommunications sector (fixed-line to mobile phone calling) by allowing market players to set their own prices;
- Submitting legislation this month to extend the term of copyright protection for cinematographic works from 50 to 70 years, a step that would bring Japan in line with the global trend to extend such rights;
- Significantly advancing reform of Japan's energy sector through legislation now being deliberated in the Japanese parliament that would pave the way for expanding liberalization of the retail electricity sector in Japan from 26 percent of the market to 63 percent by 2005;
- Improving the speed and efficiency of approval processes for medical devices and pharmaceuticals that will bring products to market faster, increase consumer choice, and expand access for U.S. companies to Japan's healthcare market;
- Bolstering the independence and staffing of Japan's antitrust watchdog so that it can better promote a competitive environment in the Japanese market for domestic and foreign companies alike;
- Allowing foreign firms to use modern merger techniques to acquire Japanese companies, which will make Japan a more attractive environment to much needed foreign direct investment; and
- Reducing by 50 percent overtime fees associated with customs procedures at most of Japan's major air and sea ports, thereby lowering the cost of doing business for U.S. exporters and express carriers.

President Bush and Prime Minister Koizumi launched the Regulatory Reform Initiative in June 2001 at Camp David as an important component of the U.S.-Japan Economic Partnership for Growth. Each year, the two Governments exchange reform recommendations in the fall under this Initiative. These recommendations serve as a basis for annual reports to the President and Prime Minister, specifying reform measures to be taken by each Government. USTR is the lead agency for the U.S. Government for this Initiative while the Ministry of Foreign Affairs takes the lead for the Japanese Government.

*(A Fact Sheet summarizing the Second Report to the Leaders and a full text of the report can be found on the USTR website at [www.ustr.gov](http://www.ustr.gov).)*

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